
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE RESOLUTION

No. 263 Session of
2003

INTRODUCED BY HASAY, BAKER, BELARDI, BELFANTI, BOYD, BUNT,
CAPPELLI, CREIGHTON, CURRY, DeWEESE, FAIRCHILD, GABIG, GEIST,
GEORGE, GILLESPIE, GRUCELA, HARRIS, HERMAN, HERSHEY, HESS,
LaGROTTA, MARSICO, MUNDY, PICKETT, PISTELLA, READSHAW, REED,
SATHER, SCHRODER, SHANER, B. SMITH, SOLOBAY, STERN,
TANGRETTI, E. Z. TAYLOR, THOMAS, TIGUE, WATERS, HENNESSEY,
HARHAI AND SCRIMENTI, MAY 5, 2003

REFERRED TO COMMITTEE ON RULES, MAY 5, 2003

A RESOLUTION

1 Directing the Legislative Budget and Finance Committee to study
2 global security risk assessment of the State Employees'
3 Retirement Fund, the Public School Employees' Retirement Fund
4 and the State Treasury.

5 WHEREAS, International terrorism and the development and
6 proliferation of weapons of mass destruction are the most
7 pressing national security concerns presently facing the United
8 States; and

9 WHEREAS, Official United States sanctions largely prohibit
10 United States companies from doing business with countries that
11 the United States Department of State has designated as
12 sponsoring terrorism, including Iran, Iraq, Libya, Syria, Sudan
13 and North Korea; and

14 WHEREAS, The activities of these terrorist-sponsoring
15 governments pose a grave threat to the security and well-being
16 of the citizens and institutions of this Commonwealth and the

1 nation; and

2 WHEREAS, Terrorist-sponsoring governments are known to derive
3 critically needed revenues, equipment, technology and financing
4 from publicly traded companies operating in their countries; and

5 WHEREAS, It is important to avoid the possibility that the
6 retirement dollars of public employees of this Commonwealth are
7 contributing to the twin scourges of international terrorism and
8 the development and proliferation of weapons of mass
9 destruction; and

10 WHEREAS, The Securities and Exchange Commission in May 2001
11 determined that business operations in terrorist-sponsoring
12 countries can represent a material risk to investors; and

13 WHEREAS, There is a proven risk to the share value and
14 corporate reputation of companies doing business in terrorist-
15 sponsoring countries; and

16 WHEREAS, The Commonwealth needs to protect the retirement
17 funds of public employees from the financial risk associated
18 with portfolio companies that have business operations in
19 terrorist-sponsoring countries; and

20 WHEREAS, There exists today no risk management program in
21 this Commonwealth to address the growing challenge posed by the
22 exposure of our public pension portfolios to global security
23 risk; and

24 WHEREAS, Our public pension fund external managers are
25 entrusted with the retirement funds of thousands of our public
26 employees and, to date, have not produced risk mitigation
27 strategies regarding global security risk; therefore be it

28 RESOLVED, That the House of Representatives direct the
29 Legislative Budget and Finance Committee to study global
30 security risk assessment of the State Employees' Retirement

1 Fund, the Public School Employees' Retirement Fund and the State
2 Treasury to determine whether any asset manager or financial
3 firm that manages assets of the fund:

4 (1) presently holds in its portfolio, companies that
5 have ties to, or activities in, the terrorist-sponsoring
6 countries and specific profiles of the companies' activities
7 in each terrorist-sponsoring country, especially as they
8 relate to the introduction or construction of advanced
9 technologies or equipment;

10 (2) has made contributions to any government of a
11 terrorist-sponsoring country, including taxes or royalties
12 paid to the government, the value and estimated revenues
13 associated with the project, projected government revenues
14 stemming from the company's operations and corporate costs
15 associated with the project;

16 (3) has identified any specific global security risk
17 mitigation strategies undertaken by each portfolio company
18 operating in terrorist-sponsoring countries;

19 (4) has identified any steps taken by any portfolio
20 company to ensure that revenues generated by its operations
21 are not utilized by the government of a terrorist-sponsoring
22 country for the sponsorship of terrorism, the development or
23 purchase of weapons of mass destruction and ballistic
24 missiles or other military purposes;

25 (5) has identified any steps taken by any portfolio
26 company to ensure that advanced technologies, equipment and
27 facilities introduced or developed by the company are not
28 utilized for noncivilian purposes;

29 (6) has identified any steps taken by any portfolio
30 company to encourage the government of a terrorist-sponsoring

country to cease its sponsorship of terrorism and
proliferation activities;

(7) has calculated performance ratings for all portfolio
companies with links to designated terrorist-sponsoring
countries;

(8) has adopted any alternative investment strategies
and their impact on the fund, including how the portfolio
might be altered to exclude companies with equity ties to
governments of terrorist-sponsoring countries without
damaging the profitability of the fund;

and be it further

RESOLVED, That the Legislative Budget and Finance Committee
may hire or retain consultants as necessary to assist in the
performance of its duties under this resolution; and be it
further

RESOLVED, That the Legislative Budget and Finance Committee
provide annual reports to the General Assembly regarding:

(1) Steps taken by the boards of trustees to communicate
with portfolio companies operating in terrorist-sponsoring
countries and the nature of such communications.

(2) Specific investment policy responses including, but
not limited to, the divestment of select portfolio companies,
if appropriate, that invest in or conduct business with
terrorist-sponsoring countries unless and until such time as
the United States Department of State no longer designates
that country as a terrorist-sponsoring country.